

i-Watch Rating System:

Date August 29, 2024
Fund Manager Manulife (multi-manager)
i-Watch Status ● **Increased Scrutiny**

- No concern(s)
- Moderate concern(s) requiring frequent and close monitoring
- Serious concern(s) that require a full review and may lead to removal from the fund platform

Product(s) Impacted:

Manulife Canadian Equity Fund (7011)

Summary

- Manulife is implementing changes to the Investment Policy Statement (IPS) for the Manulife Canadian Equity Fund effective October 1st, 2024.
- Outdated guidelines are being removed to improve the management of this fund and align it with the broader suite of Manulife Multi-Manager products.
- There is no change to the i-Watch status. The Fund's status continues to be Increased Scrutiny dating back to January 2024 when the Fund was upgraded from On-Watch.

Commentary

Effective October 1st, 2024, Manulife is making changes to the Fund's IPS. The edit will remove guideline ranges for a set of five risk metrics applied to the Fund: beta, tracking error, value, growth, and size factors.

Impact

There will be no impact to clients following the IPS revision. The component funds are unchanged (Beutel Goodman Fundamental Canadian Equity, CC&L Canadian Q Growth Equity, and Fidelity Canadian Focused Equity) and they will continue to be equally weighted within the Fund.

The risk guidelines in the original IPS were created more than 15 years ago and are long outdated in terms of providing effective risk oversight. The rationale behind monitoring these risk metrics is to ensure the Fund remains a core strategy with limited deviation from the broad Canadian equities market. In practice, Global Manager Research (GMR) ensures the consistency of the Fund's core investment style by conducting thorough due diligence of the component funds and assessing their suitability on an on-going basis. Component funds can be changed out by GMR (and have been in the past) if they no longer fit the Fund. GMR's due diligence process is rooted in deep qualitative and quantitative analysis, and the resulting manager selection decisions are a more effective method for ensuring consistency for the

Fund's key characteristics. Risk metrics being prescribed in the IPS are not useful in the current oversight process and only serve to unnecessarily hamstring management of the Fund.

From an operational perspective, additional rebalancing of the Fund to keep it within the stated risk guidelines could increase transaction costs over time and therefore detract from fund performance. The removal of the guidelines will allow the Fund to be nimble in making changes to component funds if required in the future, and limits rebalancing to only being carried out when necessary to maintain equal exposures to the three component funds.

Closing Remarks

GMR views the updating of the IPS to be a positive, as it will allow for more effective monitoring of the Fund to ensure the consistency of its investment style while avoiding excessive rebalancing. The Fund retains its Increased Scrutiny status owing to the retirement of Portfolio Manager Pat Palozzi from the Beutel Goodman component fund. GMR continues to monitor the portfolio management transition and will revisit the status of the Fund in early 2025.



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